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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 9, 2001

APPLICATIONS OF

PEPCO ENERGY SERVICES, INC.

CASE NO. PUE010511

For permanent licenses to conduct
business as an electric and natural
gas competitive service provider
and as an aggregator

and

PEPCO ENERGY SERVICES, INC.

CASE NO. PUE000344

For a license to provide
electricity and natural gas
services in interim retail
access pilot programs

ORDER GRANTING LICENSES

On September 27, 2001, Pepco Energy Services, Inc.,
("PEPCO" or "the Company"), completed an application with the
State Corporation Commission ("Commission") to convert and
expand its pilot licenses, License Nos. PE-1, PG-1, and PA-1,¹ to
permanent licenses to provide competitive electric, natural gas,
and aggregation services to all classes of retail customers
throughout the Commonwealth of Virginia as the Commonwealth

¹ These licenses, issued in Case No. PUE000344, authorize PEPCO to provide competitive electric, natural gas, and aggregation services in the retail access pilot programs of Virginia Electric and Power Company ("Virginia Power"), Appalachian Power Company d/b/a American Electric Power-Virginia ("AEP-VA"), Rappahannock Electric Cooperative ("REC"), Washington Gas Light Company ("WGL"), and Columbia Gas of Virginia ("CGV").

opens up to retail access and customer choice. The Company attested that it would abide by all applicable regulations of the Commission as required by 20 VAC 5-312-40 of the Commission's Rules Governing Retail Access to Competitive Energy Services ("Retail Access Rules").

On October 1, 2001, the Commission issued its Order For Notice and Comment, establishing the case, requiring PEPCO to provide notice of its application to each electric and natural gas utility in Virginia, and providing for the receipt of comments from the public. No comments from the public on PEPCO's application were received.

On November 5, 2001, the Staff filed a response to PEPCO's application. In its response, Staff advised that it did not oppose PEPCO's application. However, Staff recommended that Case No. PUE000344 in which the Commission granted the Company its retail access pilot licenses to provide competitive electric, natural gas and aggregation services to all classes of retail customers in conjunction with Virginia Power, AEP-VA, REC, CGV and WGL's pilot programs be closed, and that PEPCO be directed to file the reports required by the Commission's Interim Rules Governing Electric and Natural Gas Retail Access Pilot Programs, 20 VAC 5-311-10 et seq. ("Interim Rules"), in this docket, Case No. PUE010511. Staff contended that this

action would result in the efficient administration of the Commission's docket.

NOW UPON consideration of PEPCO's application to convert and expand its present licenses to permanent licenses to conduct these activities, and Staff's Response, the Commission is of the opinion and finds that PEPCO's request should be granted; that Case No. PUE000344 be closed; and that any reports that PEPCO must file in accordance with the Interim Rules be filed in this docket, Case No. PUE010511.

Accordingly, IT IS ORDERED THAT:

(1) PEPCO's pilot license, License No. PE-1, is hereby cancelled and replaced with License No. E-8 for the provision of competitive electric service to all classes of retail customers in Virginia Power, AEP-VA and REC's service territories in accordance with the terms of these pilot programs and throughout the Commonwealth of Virginia as the Commonwealth opens up to retail access and customer choice.

(2) PEPCO's pilot license, License No. PG-1, is hereby cancelled and replaced with License No. G-10 to provide natural gas service to all classes of retail customers in conjunction with the retail access programs of WGL and CGV and throughout the Commonwealth of Virginia as the Commonwealth opens up to retail access and customer choice.

(3) PEPCO's pilot license, License No. PA-1, is hereby cancelled and replaced with License No. A-8 to provide aggregation services to all classes of retail customers in conjunction with the retail access programs of Virginia Power, AEP-VA, REC, WGL, and CGV and throughout the Commonwealth of Virginia as the Commonwealth opens up to retail access and customer choice.

(4) These licenses are not valid authority for the provision of any product or service not identified within the license itself.

(5) Failure of PEPCO to comply with the Interim Rules, the Retail Access Rules, the provisions of this Order, other State Corporation Commission orders and rules, or other applicable state or federal laws may result in an enforcement action by the Commission including, without limitation, the revocation, suspension, or modification of the license granted herein, the refusal to renew such licenses, the imposition of appropriate fines and penalties, or such other additional actions as may be necessary to protect the public interest.

(6) Case No. PUE000344 is hereby closed.

(7) This matter shall remain open pending the receipt of any reports required by the Interim Rules and the Retail Access Rules.